

VZCZCXYZ0000
RR RUEHWEB

DE RUEHCL #0094 1351449
ZNR UUUUU ZZH
R 151449Z MAY 09
FM AMCONSUL CASABLANCA
TO RUEHC/SECSTATE WASHDC 8392
INFO RUCNMGH/MAGHREB COLLECTIVE
RUEHMD/AMEMBASSY MADRID 3865
RUEHFR/AMEMBASSY PARIS 0703

UNCLAS CASABLANCA 000094

SIPDIS

STATE FOR NEA/MAG
COMMERCE FOR NATHANIEL MASON

E.O. 12958: N/A
TAGS: [ECON](#) [EFIN](#) [EINT](#) [PGOV](#) [MO](#)
SUBJECT: A NEW START FOR THE CASABLANCA STOCK EXCHANGE

REF: 08 CASABLANCA 224

¶1. (SBU) Summary: The U.S. Consul General in Casablanca met with the newly appointed U.S. trained managing director of the Casablanca Stock Exchange (CSE), Karim Hajii, on May 13th to discuss the loss of consumer confidence at CSE in the midst of widespread speculation of insider trading and market manipulation. Hajii spoke of CSE's new Code of Conduct and changes within the Moroccan Council for the Code of Ethics in Securities Markets, the financial sector watchdog. Referring to efforts to attract more liquidity to CSE, Hajii said, the Ministry of Finance will need to offer tax incentives for long term investors and allow other financial instruments into the market such as short selling and futures. Finally, he discussed his optimistic vision for financial integration in the Maghreb region. End Summary.

¶2. (SBU) Mindful of the limited number of investors in the country's stock exchange, Hajii outlined his strategy to increase the estimated 100,000 investors, and in turn bolster CSE's liquidity. Engaging Morocco's middle class will be key, he said. In order to attract investors, Hajii explained, the Ministry of Finance will need to offer tax incentives for long term investors and make available other financial instruments such as short selling and futures to the public.

¶3. (SBU) Turning to Initial Public Offerings (IPOs), he argued that the gloomy financial outlook has led some firms to cancel or postpone their IPOs. Citing the case of Royal Air Maroc (RAM), he posited that it would be months before the airline company would pursue this option. He did confide that Marsa Maroc, Morocco's largest port operator, is set to go public in the upcoming months.

¶4. (SBU) Faced with widespread speculation of insider trading and market manipulation (reftel), Hajii assured the CG that concrete steps have been taken to regain consumer confidence. Specifically, he cited the Exchange's newly minted Code of Conduct that prohibits CSE employees from trading shares in which they have a vested interest. He also discussed improvements in the Moroccan Council for the Code of Ethics in Securities Markets (CDVM), which will soon become independent of the Ministry of Finance. He did, however, critique Morocco's legal system, under which CDVM is unable to prosecute individuals for insider trading and/or market manipulation.

¶5. (SBU) Active in regional groupings aimed at creating financial synergies like the Maghreb Businessmen Forum and the Unified Arab Stock Exchange, Hajii noted that unfortunately such initiatives have hitherto failed to generate anything concrete. Having recently participated in a meeting among North African businessmen in Algiers, he noted his positive impression of the Algerian business

executives he had met. However, he criticized the Algerian government, explaining that government regulations that prohibit 51 percent foreign ownership in a business do not make business sense. Nonetheless, he firmly believes that CSE has the potential to become the regional hub for investment in the continent, noting that the volume of shares traded in Morocco is the largest in North Africa.

16. (SBU) Comment: The decline in consumer confidence has created a precarious investment environment at CSE. However, there are some glimmers of hope as the market is slowly picking up, in part due to the success of agribusiness shares, but also in part due to Hajii's leadership and the renewed confidence in the market that it brings. End Comment.
MILLARD